

**Benton Township –
Potterville District Library**

Potterville, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	2
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities	3
Notes to Financial Statements	4 - 8
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	9



6639 Centurion Drive, Suite 170
Lansing, MI 48917
Phone (517) 323-9500
Fax (517) 323-8360

Independent Auditors' Report

To the Board of Trustees
Benton Township – Potterville District Library
Potterville, Michigan

We have audited the accompanying financial statements of the governmental activities and fund of the Benton Township – Potterville District Library as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Benton Township – Potterville District Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund of the Benton Township – Potterville District Library as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Lansing, Michigan
December 29, 2008

Benton Township - Potterville District Library
Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2008

	General Fund - Modified Accrual Basis	Adjustment (Note 6)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash	\$ 38,982	\$ -	\$ 38,982
Certificate of deposit	43,337	-	43,337
Accounts receivable	35,264	-	35,263
Capital assets, net of accumulated depreciation of \$ 311,308	-	222,366	222,366
Total assets	<u>\$ 117,582</u>	<u>\$ 222,366</u>	<u>\$ 339,948</u>
Liabilities and fund balance/net assets			
Liabilities			
Accounts payable	\$ 2,108	\$ -	\$ 2,108
Accrued payroll	3,504	-	3,504
Deferred revenue	31,898	(31,898)	-
Long-term liabilities - mortgage note	-	64,504	64,504
Total liabilities	<u>37,510</u>	<u>32,606</u>	<u>70,116</u>
Fund balance/net assets			
Investment in capital assets, net related debt	-	189,761	189,761
Unrestricted	80,072	-	80,072
Total fund balance/net assets	<u>80,072</u>	<u>189,760</u>	<u>269,832</u>
Total liabilities and fund balance/net assets	<u>\$ 117,582</u>	<u>\$ 222,366</u>	<u>\$ 339,948</u>

See accompanying notes to financial statements

Benton Township - Potterville District Library
Statement of Governmental Revenue, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2008

	General Fund - Modified Accrual Basis	Adjustments (Note 6)	Statement of Activities - Full Accrual Basis
Revenues			
Taxes	\$ 61,959	\$ -	\$ 61,959
State aid	3,505	-	3,505
Rental fees	930	-	930
Penal fines	29,690	2,207	31,897
Interest	1,870	-	1,870
Contributions and miscellaneous	4,807	-	4,807
Total revenues	<u>102,761</u>	<u>2,207</u>	<u>104,968</u>
Expenditures			
Salaries	32,457	-	32,457
Board expenses	114	-	114
Books	8,683	(8,675)	8
Tapes	808	(808)	-
Equipment	7,646	(7,547)	99
Supplies	3,230	-	3,230
Repairs and maintenance	2,291	(750)	1,541
Professional services	5,700	-	5,700
Reading programs	1,211	-	1,211
Dues and subscriptions	3,992	-	3,992
Telephone	1,177	-	1,177
Utilities	3,134	-	3,134
Insurance	3,019	-	3,019
Payroll taxes	5,483	-	5,483
Depreciation	-	14,893	14,893
Miscellaneous expenses	1,753	-	1,753
Debt service			
Principal retirement	4,708	(4,708)	-
Interest	3,559	-	3,559
Total expenditures	<u>88,965</u>	<u>(7,595)</u>	<u>81,370</u>
Revenues over expenditures/ change in net assets	13,796	9,802	23,598
Fund balance/net assets - beginning	<u>66,276</u>	<u>179,958</u>	<u>246,234</u>
Fund balance/net assets - ending	<u><u>\$ 80,072</u></u>	<u><u>\$ 189,760</u></u>	<u><u>\$ 269,832</u></u>

See accompanying notes to financial statements

Benton Township – Potterville District Library
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Benton Township – Potterville District Library (the Library) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

ORGANIZATION

The Library was established on November 13, 1989, by a district library agreement between the Township of Benton and the City of Potterville pursuant to the District Library Establishment Act. The Library's boundaries include the City of Potterville, Michigan and the Township of Benton, Michigan. The Library is funded through a tax levy on property located within the district, penal fines, fees, contributions, and state aid.

REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, there are no component units to be included in the Library's financial report.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Library has one fund, the General Fund, which is the Library's primary operating fund. The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

In addition to presenting information for the General Fund, the statements present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Benton Township – Potterville District Library
Notes to Financial Statements
June 30, 2008

BUDGET INFORMATION

The annual budget is prepared by management and adopted by the Library Board of Trustees; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Public Act 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. A local unit is not considered in violation of the Act if reasonable procedures are in use by the Library to detect violations. The Act requires expenditures to be budgeted on a functional basis.

During the year ended June 30, 2008, the Library incurred expenditures which were in excess of the amounts appropriated, as follows:

Function	Total Budget	Amount of Expenditures	Amount over Budget
Salaries	\$ 28,750	\$ 30,428	\$ 1,678
Books	6,000	8,683	2,683
Tapes	500	808	308
Equipment	3,000	7,646	4,646
Supplies	3,000	3,229	229
Repairs and maintenance	2,000	2,291	291
Professional services	3,500	5,700	2,200
Reading programs	-	1,211	1,211
Dues and subscriptions	3,000	3,992	992
Telephone	1,000	1,177	177
Miscellaneous expenses	250	1,753	1,503

FINANCIAL STATEMENT AMOUNTS

Capital Assets - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$ 500 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books, CDs, tapes, videos and DVDs which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$ 500 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is charged as an expense against the operations on a straight-

Benton Township – Potterville District Library
Notes to Financial Statements
June 30, 2008

line basis over the following estimated useful lives:

Building	50	years
Furniture and equipment	5 - 20	years
Books and videos	7	years

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of February 28 before they are added to the county tax rolls. The Library's property tax revenue for the fiscal year ended June 30, 2008 is based on the 2007 levy, which was billed July 1, 2007. The 2007 taxable value totaled \$ 133,493,300; the Library's millage rate was .4621 mills, which resulted in property tax billings of \$ 61,687.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - CAPITAL ASSETS

A summary of the changes in capital assets is as follows:

Capital assets, including library books, periodicals, CDs, tapes and DVDs, are recorded at cost. Depreciation expense was \$ 14,893 for the year ended June 30, 2008.

<u>Capital Assets Being Depreciated</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Building	\$ 216,423	\$ -	\$ -	\$ 216,423
Furniture and equipment	54,944	8,297	-	63,241
Books and videos	248,330	9,483	3,803	254,010
Total	519,697	17,780	3,803	533,674
Accumulated depreciation	<u>(300,218)</u>	<u>(14,893)</u>	<u>(3,803)</u>	<u>(311,308)</u>
Net book value	<u>\$ 219,479</u>	<u>\$ 2,887</u>	<u>\$ -</u>	<u>\$ 222,366</u>

Benton Township – Potterville District Library
Notes to Financial Statements
June 30, 2008

NOTE 3 - DEFERRED REVENUE

Penal fines are reported as deferred revenue in connection with receivables for revenue that is not available to cover expenses in the current fiscal year. At the end of the current fiscal year, deferred revenue is as follows:

	<u>Unavailable</u>
Penal fines	<u>\$ 31,898</u>

NOTE 4 - LONG-TERM DEBT

On November 1, 2007, the terms of the library building loan were amended, raising the interest rate from 4.500% to 5.250% and extending the term through December 1, 2015. Under the new terms, the loan is payable in monthly installments of \$ 879.82 with a balloon payment for the balance of the loan with interest being due on December 1, 2015.

Aggregate maturities of long-term debt are summarized as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2009	\$ 7,347
2010	7,742
2011	8,158
2012	8,597
2013	9,059
2014-2016	<u>23,600</u>
	<u>\$ 64,503</u>

NOTE 5 - RISK MANAGEMENT

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library participates in the Michigan Municipal League Program for claims relating to workers' compensation, general liability, and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Benton Township – Potterville District Library
Notes to Financial Statements
June 30, 2008

NOTE 6 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities.

This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

Required Supplementary Information

Benton Township - Pottersville District Library
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original and Final Budget	Actual Balances	Variance Over (Under)
Revenues			
Taxes	\$ 55,500	\$ 61,959	\$ 6,459
State aid	-	3,505	3,505
Rental fees	800	930	130
Penal fines	23,000	29,690	6,690
Interest	200	1,870	1,670
Contributions and miscellaneous	-	4,807	4,807
Total revenues	<u>79,500</u>	<u>102,761</u>	<u>23,261</u>
Expenditures			
Salaries	28,750	32,457	3,707
Board expenses	2,000	114	(1,886)
Books	6,000	8,683	2,683
Tapes	500	808	308
Equipment	3,000	7,646	4,646
Supplies	3,000	3,230	230
Repairs and maintenance	2,000	2,291	291
Professional services	3,500	5,700	2,200
Reading programs	-	1,211	1,211
Dues and subscriptions	3,000	3,992	992
Telephone	1,000	1,177	177
Utilities	3,500	3,134	(366)
Insurance	4,000	3,019	(981)
Payroll taxes	7,000	5,483	(1,517)
Miscellaneous expenses	250	1,753	1,503
Debt service	<u>12,000</u>	<u>8,267</u>	<u>(3,733)</u>
Total expenditures	<u>79,500</u>	<u>88,965</u>	<u>9,465</u>
Revenues over expenditures	<u>\$ -</u>	13,796	<u>\$ 13,796</u>
Fund balance - beginning		<u>66,276</u>	
Fund balance - ending		<u>\$ 80,072</u>	



6639 Centurion Drive, Suite 170
Lansing, MI 48917
(517) 323-9500
Fax (517) 323-8360

December 29, 2008

Management and the Board of Trustees
Benton Twp-Pottersville District Library

Dear Management and the Board of Trustees:

We have completed our audit of the financial statements of Benton Twp-Pottersville District Library as of and for the year ended June 30, 2008 and have issued our report dated December 29, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Communication of Internal Control Matters Identified During the Audit

II Auditors' Communication of Significant Matters with Those Charged with Governance

We discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I

Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Benton Twp-Pottersville District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Benton Twp-Pottersville District Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be a significant deficiencies in internal control:

QuickBooks Software

The Library uses QuickBooks software to manage the general ledger and payroll functions. QuickBooks is user friendly and meets the Library's need to keep the accounting system simple. However, the system allows, but does not require, a "close" of each month. If this close function is not used, transactions can be backdated to the prior period, thus changing the previously reported financial statements. Therefore, we recommend that the Organization implement QuickBooks' close feature monthly, including restricting access to prior-period data, or consider changing to a system that does require a monthly close. Adjustments to prior periods negate the validity of historical information. A monthly close will eliminate the ability to backdate. In addition, QuickBooks allows the user to change various aspects of the recorded data which could potentially have an adverse effect on the Library's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. In addition, the account numbers function is not being used in QuickBooks causing the Library to not be in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.

Segregation of Duties

We are sensitive to the fact that the Organization is a small organization; however we are required to tell you under auditing standards that the Organization has a control deficiency related to the segregation of duties. Even within very small organizations there is the ability to gain some amount of segregation of duties. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the Organization. These procedures will help prevent human errors as well as being a deterrent to fraud. We recommend that the receipts cycle be segregated to ensure that the person recording the deposits, and reconciling the bank statement is not the person collecting cash receipts and opening mailed receipts. We further recommend a person, not involved in the cash receipts and disbursements cycles review the original bank statement and bank reconciliation. If you would like further information on how to segregate duties as they specifically relate to the Organization's situation, we would be happy to provide you with additional information and consultation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute a material weakness.

Audit Journal Entries

Material audit journal entries were required to record prior year audit adjustments and to adjust the financial records from cash to accrual basis. These misstatements were not detected by the Library's internal control over financial reporting. Statement of Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statement of net assets, statement of activities and cash flows, including the notes to the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP). Under these standards, the auditors cannot be a part of the organization's internal controls.

We recommend that all journal entries, past and present, be posted to the Library's records so meaningful account reconciliations can be performed and accurate reports can be prepared. In addition financial statements prepared in accordance with Generally Accepted Accounting Principles require the accrual basis and therefore payables, receivables and accruals need to be accounted for.

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Library's financial statements. However, if at any point in the audit we as auditors are part of the Library's control system for producing reliable financial statements, auditing standards indicate that the Library has a control deficiency.

The employees and/or management of the Library do not possess the educational experience in accounting, necessary to prepare and analyze the annual financial statements including the appropriate disclosures in accordance with GAAP. The library should consider obtaining the proper training for the appropriate staff to ensure that management can take responsibility for the preparation of the annual financial statements, including all appropriate disclosures and the correction of material misstatements. The Library should also consider resources outside of the organization to provide assistance with entries recorded at year end closing and any new or unusual transactions that might occur.

Summary and status of prior year comments and recommendations

Title of Prior Year Comment	Summary of Comment	Current Status
Audit journal entries	Several prior year audit journal entries had not been posted or were partially posted to the Township's accounting records.	Several prior years journal entries still remain unposted in the Library's records. Reported as material weakness above
Bank reconciliations	Account balance reconciliations should be prepared and supported by accurate detail.	Issue resolved. Reconciliations are attached to the bank statements.
Use of Quickbooks software	Software should be modified so that there is a "close" to each month, to avoid backdating.	Issue not resolved. Reported as a significant deficiency above.
Financial Statement Preparation Controls	Yeo & Yeo prepares the financial statements for the Library. Including audit adjustments and disclosures.	Issue not resolved. Reported as a significant deficiency above.

Appendix II
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated August 25, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on August 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. The most sensitive accounting estimates and how they were derived by management are:
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has determined that the effects of the uncorrected misstatements are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Several significant adjustments (adjusting entries 1-4, 11 and 13-18) were made to record prior year audit adjustments, year end accruals, and GASB 34 adjustments (other entries 5-10 and 12) that were not recorded in the unadjusted financial records. The attached audit adjustments, identified during the audit have been communicated to management and recorded in the financial statements.

We determined two unadjusted audit differences which have not been recorded in the financial statements. These differences are reported separately under the caption "Summary of Audit Differences".

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention. (If this were not the case alter the wording).

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	06/30/08					
		1610	Certificate of Deposit		276.45		
		1100		375.00			
		4120	Donees	375.00			
		2102	Fica Payable	375.34			
		1400	Independent Bank, new checking	281.81			
		2103	Michigan Withholding Payable	1,451.43			
		2000	Accounts Payable	2,138.56			
		2100	Payroll Liabilities	4.69			
		3000	Opening Balance Equity	22,055.00			
		1600	Certificate of Deposit	17.13			
		6600	Miscellaneous		0.87		
		3025	Retained Earnings		26,796.64		
						(374.13)	
			AJE1 - To adjust balances to tie out equity				
2	Adjusting	06/30/08					
		1600	Certificate of Deposit		17.13		
		4102	Interest	17.13			
						(17.13)	
			AJE2 - To reverse PY entry				
3	Adjusting	06/30/08					
		6700	Gas and Electric		200.67		
		6701	Water		24.60		
		6402	Books		592.62		
		6401	Dues and Subscriptions		42.97		
		6400	Telephone		88.50		
		6200	Repair and Maintenance		50.00		
		6100	Office Supplies		175.83		
		6100	Office Supplies		70.00		
		6301	Legal Fees		192.50		
		6100	Office Supplies		287.00		
		6405	Program Expense		30.00		
		6405	Program Expense		48.90		
		6405	Program Expense		10.00		
		6702	Trash Service		52.05		
		2000	Accounts Payable	1,865.64			
						1,865.64	
			AJE3 - To remove PY AP				
4	Adjusting	06/30/08					
		6000	Salaries		3,134.31		
		2100	Payroll Liabilities	3,134.31			
		6002	FICA		239.77		
		2102	Fica Payable	239.77			
						3,374.08	
			AJE4 - To reverse PY payroll accrual				

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
11	Adjusting	06/30/08					
		1700	Accounts receivable - taxes	3,366.24			
		4001	City Taxes		360.94		
		4002	Twp. Taxes		3,005.30		
			To record 2007 property taxlevy receivable			3,366.24	
13	Adjusting	06/30/08					
		6700	Gas and Electric	200.20			
		6701	Water	18.29			
		6402	Books	667.17			
		6200	Repair and Maintenance	50.00			
		6100	Office Supplies	685.91			
		6400	Telephone	102.99			
		6600	Miscellaneous	383.80			
		2000	Accounts Payable		2,108.36		
			To record AP			(2,108.36)	
14	Adjusting	06/30/08					
		6000	Salaries	2,219.79			
		6002	FICA		2,219.79		
			To adjust salries expense for withholdings			0.00	
15	Adjusting	06/30/08					
		1600	Certificate of Deposit	147.34			
		4102	Interest		147.34		
			To record accrued interest			147.34	
16	Adjusting	06/30/08					
		6000	Salaries	3,255.18			
		2100	Payroll Liabilities		3,255.18		
		6002	FICA	249.03			
		2102	Fica Payable		249.03		
			To accrue salaries and FICA tax expense			(3,504.21)	

Prepared by _____
Reviewed by _____

Benton Twp-Pottersville District Library
Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
8	Other	06/30/08					
		1902	A/D - Books and Videos	3,803.01			
		1802	Books and Videos		3,803.01		
			To adjust collection to value based on inventory count in CY			0.00	
9	Other	06/30/08					
		1900	A/D - Building		4,328.46		
		1901	A/D - Furniture and Fixtures		4,811.12		
		1902	A/D - Books and Videos		5,753.66		
		6610	Depreciation Expense	14,893.24			
			To record CY depreciation			(14,893.24)	
10	Other	06/30/08					
		3000	Opening Balance Equity		29,690.44		
		4101	Penal Fines	29,690.44			
		1750	Accounts receivable - penal fines	31,897.58			
		4101	Penal Fines		31,897.58		
			To record 07-08 penal fines received and reverse prior year accrual			2,207.14	
12	Other	06/30/08					
		6502	Mortgage Interest Expense		4,708.29		
		2200	Mortgage Payable	4,708.29			
			To adjust mortgage expense			4,708.29	
		TOTAL		<u>691,681.21</u>	<u>691,681.21</u>	<u>9,802.23</u>	
		GRAND TOTAL		<u>736,862.52</u>	<u>736,862.52</u>	<u>14,056.26</u>	

Benton Twp- Pottersville District Library
SUMMARY OF AUDIT DIFFERENCES
Year Ended June 30, 2008

**Current Year Over
(Under) Revenues and
Expenditures/Expenses
and Changes in
Fund Balance/Equity**

Unadjusted audit differences:

FICA expense is greater than the amount expected to be paid on the 941s	\$ 946
Donated books not recorded as revenue	(469)

Cumulative effect (before effect of prior year differences)	477
Effect of unadjusted audit differences—prior year:	

None	--
Cumulative effect (after effect of prior year differences)	\$ 477